

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 28, 2006**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 28, 2006, commencing at 7:25 a.m.

A. ROLL CALL

Present: Council Members – Beckman, Hansen, Johnson, Mounce, and Mayor Hitchcock
Absent: Council Members – None
Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Blackston

B. TOPIC(S)

B-1 "Utilities Quarterly Update"

With the aid of an overhead presentation (filed), Electric Utility Director Morrow reported that the target for this fiscal year was \$60 million in revenue. The cost of purchasing power was budgeted at \$42 million and halfway through the year the actual amount spent was \$22 million. One of the geothermal units was down toward the end of the year and replacement power needed to be purchased in November/December. Debt service shows \$850,000 in expenses with a budget of \$5.6 million. He noted that the amount budgeted for debt service will be spent and explained that the year to date figure is skewed because not all of the information is on the books yet. Toward the end of the fiscal year, it will be determined if some of the capital expenditures can be reserved out using bond funds. A reduction of \$4 million in the cash position is due to having only a partial year of the rate impact and a \$10 million increase in power costs.

Deputy City Manager Krueger noted that staff tried to anticipate what would be spent out of rate revenues for capital maintenance. Staff is currently going through the process of analyzing the capital project expenditures that were included in the original debt financing package. He reported that there were debt financing proceeds remaining, which should be utilized.

City Manager King reported that staff has identified four capital projects on which to use bond proceeds. He suggested that the money that was going to go toward the Electric Utility corporation yard be used as "seed money" for the power generation projects that the City is participating in with the Northern California Power Agency.

Mr. Krueger stated that by the end of March 31 some of the expenditures listed in the \$10,521,000 "Non-Power Costs" would be reclassified as capital projects. He stated that the difference between 2005 and 2006 is the portion of the rate increase that was realized in this fiscal year (\$5 million). In fiscal year 2007, it increases \$6 million and there is a projected growth in customers. He reported that "days cash" available in 2004 was at 48, in 2005 it increased to 61 days worth of operating expenditures, and in fiscal year 2006 it decreased to 22 days.

Mr. Morrow reported that the cash balance in the current year would be decreasing from \$7.3 million to \$2 million. All needed electricity has been procured for fiscal year 2006 and 80% of the City's needed electricity has been purchased for fiscal year 2007. He stated that the White Slough project would probably not be done until 2010. There is a committed interest for 143 megawatts of the 255 megawatts available in the project. Mr. Morrow reviewed charts (filed) illustrating the City's open position, as well as electricity and gas prices. In summary, Mr. Morrow predicted that fiscal year 2006 would be a difficult financial year and there would be improvement in 2007.

Council Member Hansen asked that Council be given the quarterly reports to review prior to the meetings.

With the aid of an overhead presentation (filed), Public Works Director Prima reported that the total of water operating accounts are at 57%, which is just below the target for February. There is money in the budget to use toward design work, once it is decided how to use the Woodbridge Irrigation District water supply. Direction will be sought from Council about this in April. In the "PCE/TCE" account, half of the amount budgeted has been spent. A number of projects at White Slough were budgeted for in the Wastewater Capital account; however, it is still in the design phase so this may not happen until next year. Mr. Prima stated that he was fairly certain the groundwater study currently being conducted would result in the need for additional land or a change in processes to reduce impacts to land and groundwater. He reported that staff does not yet know if the City will fall under the state general permit or whether the Regional Board will have additional requirements when the new permit is issued. There has been an increase in record keeping and reporting and an emphasis on capital replacement and overflow issues.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:32 a.m.

ATTEST:

Susan J. Blackston
City Clerk